

**Waipa Networks Limited**

**FORM OF CERTIFICATION OF THRESHOLD COMPLIANCE STATEMENT**

We, Diane Reed and Richard Francis, being directors of Waipa Networks Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Waipa Networks Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 complies with the requirements of that notice.



Director

19 May 2006



Director

19 May 2006

## **Waipa Networks Limited**

### **THRESHOLD COMPLIANCE STATEMENT**

The following is prepared for the purpose of complying with the requirements of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 pursuant to section 57G and 57T of the Commerce Act 1986 as published in the New Zealand Gazette on the 31 March 2004.

#### **Price Path Threshold Assessment as at 31 March 2006**

The following is required to be complied with for the assessment of the price path threshold on the 31 March 2006:

- the notional revenue as at 31 March 2006 must be no greater than the allowable notional revenue under the CPI-X price path as at 31 March 2006.
- the notional revenue during the assessment period must not exceed the greater of the allowable notional revenue under the CPI-X price path as at 31 March 2006 and the allowable notional revenue as at 31 March 2005.

Notional revenue is calculated as revenue of specified services less transmission charges, local authority rates and Electricity Commission Levies.

In relation to Waipa Networks Limited Specified Services are all goods and services that are directly related to provision of electricity distribution, this includes the provision, operation and maintenance of electricity works that facilitate the conveyance of electricity from embedded generators and Transpower substations to customers.

The following services are excluded from the above as there is effective competition for the provision of these services.

- Connection, disconnection and reconnection services.
- Transformers supplied to 11kV customers.

The allowable notional revenue under the CPI-X price path as at 31 March 2006 is calculated as follows:

Allowable Notional Revenue as at 31 March 2005 adjusted by the CPI-X factor for the year ended 31 December 2005.

The allowable notional revenue as at 31 March 2005 of \$8,776,951 was calculated using the tariffs effective at 1 April 2003 and actual transmission charges and local authority rates for the year ended 31 March 2004 adjusted by the CPI-factor for the year ended 31 December 2004 as disclosed in the Threshold Compliance Statement as at 31 March 2005.

The CPI adjustment is calculated as the average change in the consumer price index over the calendar year ended 31 December 2005.

This is calculated using the following data:

	2004	2005
1 <sup>st</sup> Quarter	1115	1146
2 <sup>nd</sup> Quarter	1124	1156
3 <sup>rd</sup> Quarter	1131	1169
4 <sup>th</sup> Quarter	1141	1177

Therefore the CPI adjustment is 3.04%.

Waipa Networks' X factor is -1%, therefore the calculation of the allowable notional revenue is  $\$8,776,951 \times 1.0304 \times 1.01 = \$9,134,208$ .

The greater of the allowable notional revenue as at 31 March 2006 (\$9,134,208) and the allowable notional revenue as at 31 March 2005 (\$8,776,951) is the allowable notional revenue as at 31 March 2006.

The notional revenue as at 31 March 2006 of \$9,103,134 was calculated using the tariffs effective from 1 April 2005 and actual transmission charges, local authority rates and Electricity Commission levies for the year ended 31 March 2006.

Waipa Networks Limited has therefore complied with the price path threshold (clause 5 (1) (a)) that notional revenue as at 31 March 2006 must be no greater than the allowable notional revenue as at 31 March 2006.

During the assessment period 1 April 2005 to 31 March 2006 there was no change in tariffs.

The notional revenue as at 1 April 2005 of \$9,103,134 was calculated using the tariffs effective at 1 April 2005 and actual transmission charges, local authority rates and Electricity Commission levies for the year ended 31 March 2006.

Waipa Networks Limited has therefore complied with the price path threshold (clause 5 (1) (b)) that notional revenue between 1 April 2005 and 31 March 2006 must not exceed the greater of the allowable notional revenue under the CPI-X price path as at 31 March 2006 and the notional revenue as at 31 March 2005.

Detailed information on prices and revenue are included in Appendix I.

### **Quality Threshold Assessment as at 31 March 2006**

The following is required to be complied with for the quality threshold for the year ended on the 31 March 2006:

- the interruption duration (SAIDI) for the year ended 31 March 2006 must be no greater than the five year average interruption duration (SAIDI) for the years 1999 to 2003.
- the interruption frequency (SAIFI) for the year ended 31 March 2006 must be no greater than the five year average interruption frequency (SAIFI) for the years 1999 to 2003.
- We have communicated with the customers during the period 1 April 2004 to 31 March 2006.

SAIDI is the average number of minutes that our customers have lost power for planned and unplanned outages originating within our network.

SAIFI is the average number of times that our customers have lost power for planned and unplanned outages originating within our network.

The policies and procedures used for recording the SAIDI and SAIFI statistics are included in Appendix II.

The five year average figures have been calculated below using the information previously disclosed pursuant to the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000 for unplanned and planned outages.

	<b>SAIDI</b>	<b>SAIFI</b>
1999	242	3.24
2000	293	2.85
2001	245	3.29
2002	349	3.24
2003	236	3.55
Average	273	3.23

The SAIDI for the year ended 31 March 2006 of 171 minutes is less than the five year average of 273 minutes.

Waipa Networks Limited has therefore complied with the SAIDI quality threshold (clause 6 (1) (a)) as at 31 March 2006.

The SAIFI for the year ended 31 March 2006 of 2.75 interruptions per customer is less than the 5 year average of 3.23 interruptions per customer.

Waipa Networks Limited has therefore complied with the SAIFI quality threshold (clause 6 (1) (b)) as at 31 March 2006.

Customer Communication; Waipa Networks has complied with clause 6 (1) (c) by properly advising, consulting and considering the views expressed by consumers. This has been achieved by consulting with consumers using several methods including customer surveys, a complaints resolution process, monthly advertorials in local newspapers, consumer advice and meetings with consumer groups. Details of this communication are included in Appendix III.

Waipa Networks has an active tree cutting programme and continually seeks to improve the service offered to customers through improved technology such as automatic re-closers and extensive use of live-line techniques. These practices have lead to a significant improvement in the level of service received by consumers as demonstrated by the improvement in SAIDI since their introduction.

## Appendix I

## WAIPA NETWORKS LIMITED

		Tariffs	Revenue	Tariffs	Revenue
		01-Apr-05	01-Apr-05	31-Mar-06	31-Mar-06
DOMESTIC					
COMBINED	68,106,844	4.97	3,384,910	4.97	3,384,910
CONTINUOUS	40,954,699	5.54	2,268,890	5.54	2,268,890
CONTROLLED	20,761,646	1.00	207,616	1.00	207,616
CONTROLLED - 8	1,684,355	0.32	5,390	0.32	5,390
DAY	22,601	8.15	1,842	8.15	1,842
NIGHT	132,420	0.32	424	0.32	424
FIXED DAILY CHARGE	15,173	0.15	830,722	0.15	830,722
NON DOMESTIC					
CONTINUOUS	60,432,284	5.54	3,347,949	5.54	3,347,949
CONTROLLED	17,671,096	1.00	176,711	1.00	176,711
CONTROLLED - 8	607,929	0.32	1,945	0.32	1,945
DAY	2,880,410	8.15	234,753	8.15	234,753
NIGHT	3,029,205	0.32	9,693	0.32	9,693
STREET LIGHTS	1,974,669	4.50	88,860	4.50	88,860
FIXED DAILY CHARGE	5,294	0.30	579,693	0.30	579,693
UNMETERED DAILY CHARGE	13	1.00	4,745	1.00	4,745
KVA CAPACITY CONTRACT					
KVA ANYTIME	3,051,396	3.10	94,593	3.10	94,593
KVA DAY	4,883,413	4.49	219,265	4.49	219,265
KVA NIGHT	1,842,095	0.32	5,895	0.32	5,895
CAPACITY CHARGES	3,772	2.53	114,518	2.53	114,518
11kv CONTRACT					
DAY	9,140,851	3.05	278,796	3.05	278,796
NIGHT	3,205,048	0.32	10,256	0.32	10,256
SERVICE CHARGE	6	38.00	2,736	38.00	2,736
DEMAND CHARGE	3,823	2.95	135,334	2.95	135,334
MAJOR CUSTOMERS					
FIXED CHARGE	-	31,281.73	375,381	31,281.73	375,381
DEMAND CHARGE	14,400	4.65	803,520	4.65	803,520
DIVERSITY	3,813	(4.65)	(212,765)	(4.65)	(212,765)
CONSUMPTION	62,506,113	-	-	-	-
	302,887,074		12,971,672		12,971,672
TRANSMISSION CHARGES			3,767,061		3,767,061
LOCAL AUTHORITY RATES			74,530		74,530
ELECTRICITY COMMISSION LEVY			26,947		26,947
NOTIONAL REVENUE	302,887,074		9,103,134		9,103,134

## **Policies and Procedures for recording SAIDI and SAIFI statistics.**

Waipa Networks Limited does not have an automated system for the capture of outage data. The following documents the procedure to be followed for recording of SAIDI and SAIFI statistics.

### **Planned Outages**

All planned outages are recorded on a switching instruction sheet. These are used to prepare a shutdown advertising sheet identifying the section of network effected by the switching instruction sheet to notify Retailers and Customers of the planned outage by recording the planned shutdown in the shutdown database.

The database records the following information

- Date of shutdown
- Alternative date for outage
- Customers effected by outage
- Number of substations effected by outage
- Voltage of network effected by outage
- Proposed start time of outage
- Proposed finish time of outage
- Proposed number of minutes of outage
- Reason for outage

Switching is communicated to the Control Room Staff who record the actual switching times on the switching instruction sheet. The shutdown database is updated with the actual times of switching and the form is stamped as processed and filed.

### **Unplanned Outages**

All unplanned outages are recorded on an emergency switching instruction sheet by the Control Room Staff. These are used to prepare an unplanned shutdown update report identifying the section of network effected by the emergency switching instruction sheet.

The Network Asset Manager reviews the unplanned shutdown update report for accuracy and completeness before the information is added to the shutdown database. The form is stamped as processed and filed.

The database records the following information

- Date of shutdown
- Customers effected by outage

Number of substations effected by outage  
Voltage of network effected by outage  
Start time of outage  
Finish time of outage  
Number of minutes of outage  
Cause of unplanned outage

### **Customer Numbers**

Customer numbers for both planned and unplanned outages are sourced from the ICP database. Customer numbers can be obtained by feeder, module (section of network between 11kV switching points) or individual transformer level. The ICP database is continually updated with new and disconnected customers.

### **Reporting**

This data enables the calculation of SAIDI and SAIFI impacts of each outage. The impact of each outage is summed to generate the outage statistics for the period to be reviewed. Reporting from the shutdown database is completed monthly for Management and Board review.



## **Customer Survey**

Waipa Networks commissioned an independent survey of its connected consumers in September 2005. It was conducted by the National Research Bureau and had a sample size of 400 randomly selected customers. The Customers were questioned regarding a number of topics. Areas specifically relating to the requirement were:

1. Customer satisfaction with overall delivery of electricity.
2. Customer satisfaction with the number and length of outages.
3. Customer satisfaction with power fluctuations and surges.
4. Preference for undergrounding of urban overhead lines and the price customers were willing to pay to enable this.
5. Preference for a second Transpower line to Te Awamutu and the price customers were willing to pay to enable this.
6. Preference regarding lines maintenance cost sharing.

Topics 1-3 were included to identify any quality issues and trends that needed addressing. Topics 4 & 5 represented the specific price/quality trade-offs being considered by the Company. Topic 6 related to the Company's ability to charge different groups of customers higher or lower prices depending on their individual requirements.

Waipa Networks analysed the results of the survey by Grid Exit Point, Feeder type, Tariff, and All Customers. Where responses from a particular group of customers were significantly different to the whole group then these were noted and the results forwarded to the Network Asset Manager for consideration. Any issues that needed addressing were noted for future integration into the Asset Management Plan.

A survey of this nature is conducted every two years. The format generally remains the same, however topical issues are incorporated as required including any price/quality trade-offs being considered at the time.

## **Complaints Resolution Process**

In addition to meeting Electricity Complaints Commission requirements, Waipa Networks Complaint Resolution Process ensures customer issues regarding quality are fully analysed for the purpose of improving customer service. Complaints are grouped according to type (e.g. Outages, Faults Service, etc), Grid Exit Point, and Feeder. Trends are identified and presented to the Management team for planning purposes.

## **Monthly Advertorials**

Waipa Networks publishes a full page advertorial in the Cambridge and Te Awamutu local newspapers once a month. These newspapers are free and delivered to all homes and businesses within their circulation area. This is the predominant means of the Company communicating issues such as pricing options, lines maintenance, and company policy. Occasional questionnaires are included to allow feedback or gauge understanding of specific issues. The 2005 Customer survey indicated that nearly three quarters of customers who read the advertorial found it useful.

## **Customer Advice**

The Company has distributed pamphlets offering advice to connected consumers twice a year, over the last two years the topics covered have been;

- How to protect property from power surges.
- How to save money and electricity (efficiency and conservation)
- Information on the price and quality of Waipa's service with an invitation to provide feedback online.
- Consumer and Company responsibility with regard to trees.

The Company also published advertisements advising connected consumers on the tariff choices available and how to choose the correct tariff for the service they require.

## **Discussions with Consumer Groups**

Waipa Networks held regional meetings with customer groups to discuss price versus quality trade offs as a follow up to a brochure sent to all customers, and press release to local newspapers.

Any issues that needed addressing were noted for future integration into the Asset Management Plan.

Our shareholder the Waipa Networks Trust whose beneficiaries are our connected consumers hold a public meeting (AGM) each year. At this meeting representatives from the Company make a presentation to consumers and the Chairman and the Chief Executive Officer answer questions from the floor.

**REPORT OF THE AUDITOR-GENERAL  
TO THE READERS OF THE  
THRESHOLD COMPLIANCE STATEMENT OF WAIPA NETWORKS LIMITED FOR  
THE ASSESSMENT PERIOD ENDED ON 31 MARCH 2006**

We have audited the attached statement, prepared by Waipa Networks Limited for assessment as at 31 March 2006 and dated 19 May 2006. The attached statement is a threshold compliance statement in respect of the price path threshold and the quality threshold, for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 ("the Notice"). In this report the attached statement is called "the threshold compliance statement".

**Directors' responsibilities**

Directors of Waipa Networks Limited are responsible for certification of the threshold compliance statement in accordance with the Notice.

**Auditor's responsibilities**

Section 15 of the Public Audit Act 2001 and clause 7(1)(b) of the Notice require the Auditor-General to audit the threshold compliance statement. It is the responsibility of the Auditor-General to express an independent opinion on the threshold compliance statement and report the opinion to you.

The Auditor-General has appointed M G Taris of Audit New Zealand to carry out the audit.

**Basis of opinion**

We conducted the audit in accordance with the Auditor-General's Auditing Standards which include the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand.

The audit included examining, on a test basis, evidence relevant to the amounts and disclosures contained on pages 1 to 10 of the threshold compliance statement and which relate to:

- the price path threshold set out in clause 5 of the Notice;
- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice; and
- the customer communication part of the quality threshold set out in clause 6(1)(c) of the Notice.

It also included assessment of the significant estimates and judgments, if any, made by Waipa Networks Limited in the preparation of the threshold compliance statement and assessment of whether the basis of preparation has been adequately disclosed.

We planned and performed the audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the threshold compliance statement is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the threshold compliance statement.

In relation to the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, we have undertaken procedures to provide reasonable assurance that:

- the amounts and disclosures in the threshold compliance statement relating to those statistics have been correctly taken from the information disclosed by Waipa Networks Limited in accordance with the Electricity (Information Disclosure) Regulations 1999; and
- those statistics have been calculated based on the source data provided to us. We have not performed audit procedures on the source data.

### **Independence**

In addition to the audit of the threshold compliance statement we have carried out other audit assignments for Waipa Networks Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2006 as well as audit certificates pursuant to the Electricity Information Disclosure Requirements 2004. These assignments are compatible with those independence requirements.

Other than these assignments, we have not relationship with or interest in Waipa Networks Limited.

### **Unqualified opinion**

We have obtained all the information and explanations we have required.

#### ***Price path threshold***

In our opinion, having made all reasonable enquiry, to the best of our knowledge the amounts and details set out in the threshold compliance statement relating to the price path threshold set out in clause 5 of the Notice and related information have been prepared in accordance with the Notice, and give a true and fair view of the performance of Waipa Networks Limited against that threshold for the assessment period ended on 31 March 2006.

#### ***Quality threshold: SAIDI and SAIFI statistics***

In our opinion, having made all reasonable enquiry, to the best of our knowledge:

- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice and related information have been calculated and prepared in

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**Note:** Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on summary conviction to a fine not exceeding \$10,000 in the case of an individual or \$30,000 in the case of a body corporate.

accordance with the Notice and in accordance with Waipa Networks Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and give a true and fair view of the performance of Waipa Networks Limited for the assessment period ended on 31 March 2006;

- the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, have been correctly taken from the information disclosed by Waipa Networks Limited in accordance with the Electricity (Information Disclosure) Regulations 1999. Those statistics have been properly calculated based on the unaudited source data provided to us by Waipa Networks Limited;
- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2006, together with the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, give a true and fair view of the performance of Waipa Networks Limited against those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice for the assessment period ended on 31 March 2006.

***Quality threshold: customer communication***

In our opinion, having made all reasonable enquiry, to the best of my knowledge the information set out in the threshold compliance statement relating to that part of the quality threshold that is set out in clause 6(1)(c) of the Notice has been prepared in accordance with the Notice, and gives a true and fair view of the performance of Waipa Networks Limited against that part of the quality threshold for the assessment period ended on 31 March 2006.

The audit was completed on 19 May 2006 and our opinion is expressed as at that date.



M G Taris  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand